TaxNewsFlash

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KPMG reports: Arkansas (corporate rate reduction accelerated); California (pending vote on full sales and use tax exemption for equipment); New Mexico (digital advertising services)

KPMG's This Week in State Tax—produced weekly by KPMG's State and Local Tax practice—focuses on recent state and local tax developments.

- **Arkansas:** Legislation that accelerates a phased-in corporate rate reduction was enacted. For tax years beginning on or after January 1, 2023, the highest corporate rate imposed on income exceeding $25,000 will drop to 5.3% (from 5.7%). There are no additional planned corporate income tax rate reductions, contingent or otherwise. In addition, effective for tax years beginning on or after January 1, 2022, Arkansas updated its conformity to IRC section 179 as it exists on January 1, 2022.

- **California:** The California Senate is preparing to vote on Assembly Bill 1951, which would make the current partial sales and use tax exemption for manufacturing and R&D equipment into a full exemption from both state and local sales and use taxes on and after January 1, 2023, and before January 1, 2028.

- **New Mexico:** The state tax authority issued proposed gross receipts tax rules on the taxability of digital advertising under current law. The proposed rules state that the "receipts of a provider of digital advertising services, whose digital platform may be accessed or viewed from within New Mexico, from the sale of advertising services to advertisers within and without New Mexico are subject to the gross receipts tax." The rules also state that the levy of gross receipts tax on such advertising receipts "does not impose an unconstitutional burden on interstate commerce." A public hearing on the proposed rules is scheduled to be held on September 8, 2022, and interested parties may submit written comments on or before the date of the hearing.

Read an **August 2022 report** prepared by KPMG LLP

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